Dear Mr. Kuhaneck:

My colleagues Ed Berko, Rafael Marques and I met with you, Russell Golden, James Kroeker, Christine Ann Botoson and David Challen in FASB’s offices on November 21, 2019 to discuss the process for submitting a FASB Agenda Request. Thank you for your time and advice.

The American Financial Exchange appreciates the opportunity to provide the enclosed agenda request to FASB. AFX requests that the FASB consider an agenda topic that would add the AMERIBOR benchmark interest rate to the list of permissible U.S. Benchmark Interest Rates for Fair Value Hedge Accounting (ASC 815-20-25-6A).

Adoption of AMERIBOR as a permissible U.S. Benchmark Interest Rate for Fair Value Hedge Accounting will support the small, mid and regional-sized banks and other similar financial institutions where the AMERIBOR benchmark interest rate represents the actual cost of funding for these banks and financial institutions. Fixed rate assets and fixed rate liabilities for these banks and financial institutions are priced based on the sum of the following three components:

1. A base funding interest rate or cost of funds which is AMERIBOR for these banks and financial institutions;
2. A credit spread component that is based on the credit quality of the borrower;
3. An underwriting margin (i.e., a profit margin) based on the length of the term and other subjective factors unique to the particular issuer.

Adoption of AMERIBOR as a permissible U.S. Benchmark Interest Rate for Fair Value Hedge Accounting will enable small, medium and regional-sized banks and other financial institutions to reference an interest benchmark that more accurately reflects their true cost of funds. The current list of permissible U.S. Benchmark Interest Rates for Fair Value Hedge Accounting under ASC-815-20-25-6 does not reflect the
economic cost of funding for a large number of U.S. banks and financial institutions and hence this agenda request to add AMERIBOR to the list.

I look forward to hearing from you and answering any questions you and your technical staff may have on this Agenda Request. Please feel free to contact Ed Berko, Managing Director, Chief Financial Officer and Chief Operations Officer at AFX. Mr. Berko can be reached at: eberko@theafex.com and (312) 554-4922.

Sincerely,

Richard L. Sandor, PhD
Founder, Chairman and CEO

Cc: David Challen, Practice Fellow, FASB

Enc.
Background

ASC 815-20-25-6A

Topic 815 provides guidance on the accounting for derivatives and hedging, specifically Fair Value Hedging, Cash Flow Hedging and Net Investment Hedging in Foreign Subsidiaries.

ASC 815-20-25-6A states that the following U.S. benchmark interest rates are eligible for fair value hedging of benchmark interest rate risk:

1. Rates on direct Treasury obligations of the U.S. government
2. LIBOR swap rate
3. Fed Funds Effective Overnight Index Swap Rate (Fed Funds OIS)
4. Securities Industry & Financial Markets Association (SIFMA) Municipal Swap Rate
5. Secured Overnight Financing Rate (SOFR)

American Financial Exchange (AFX)

AFX is a self-regulated electronic exchange that was established in 2015 in partnership with Cboe Global Markets, Inc. (Cboe) to facilitate direct interbank and inter-financial institution borrowing and lending. Cboe operates numerous regulated equity and futures exchanges. Cboe serves as AFX’s Self-Regulated Organization (SRO) for compliance purposes.

AFX currently has more than 180 members across all 50 states and one U.S. territory (Puerto Rico). AFX members currently include 140 banks that range in size from community to large regional banks plus more than 1,500 "downstream" banks that are represented by eight of the twelve largest correspondent and bankers’ banks in the U.S. who are themselves members of AFX and transact on AFX on behalf of their downstream correspondent banks. AFX’s member banks and downstream correspondent banks combined represent approximately 33% of U.S banks with more than $2.3 trillion in aggregate assets. AFX has created 1,400+ new interbank credit lines totaling $45+ billion. AFX also has more than 40 non-bank members that include industrial corporations, insurance companies, broker-dealers, hedge funds, corporations, futures commission merchants (FCMs) and business development corporations (BDCs). AFX membership continues to grow at a rapid pace.

American Interbank Offered Rate (AMERIBOR)

AFX loans are traded at a new overnight unsecured benchmark interest rate that is called the American Interbank Offered Rate (“AMERIBOR”). AMERIBOR is calculated at the end of each AFX trading day and is the transaction volume weighted average interest rate for all overnight unsecured loans transacted on AFX on a given trading day. AMERIBOR is quoted on an actual/360 day count modified following day convention and is rounded to the fifth decimal. AMERIBOR is published by Cboe under ticker symbol AMERIBOR and is distributed by approximately 15 financial data vendors including Bloomberg, Reuters Thompson and Morningstar. Please refer to the Bloomberg screen snapshot of ticker symbol AMERIBOR in the Appendix. In 2019 the AMERIBOR interest rate was reviewed by a national accounting firm and was determined to adhere to the International Organization of Securities Commission’s (“IOSCO’s”) nineteen Principles for Financial Benchmarks.

AMERIBOR is fully transparent, stable, publicly disseminated benchmark interest rate and facilitates debt and commercial loan origination at spreads to a benchmark interest rate that represents the actual cost of funding for small, mid and regional sized American banks and other financial institutions. AMERIBOR enables these American banks and financial institutions to optimize asset-liability management by matching assets and liabilities that reference a single benchmark interest rate (i.e., AMERIBOR) that represents their true economic cost of funds. This eliminates the basis risk between their actual cost of funding and the current list of permissible U.S. benchmark interest rates that are eligible for fair value hedge accounting.
On June 19, 2019 the Commodities Futures Trading Commission (CFTC) approved futures contracts based on the AMERIBOR benchmark interest rate and on August 19, 2019 the Cboe Futures Exchange (CFE) launched AMERIBOR futures under ticker symbol AMB3 for the 90-day contract and AMW for the 7-day contract. AFX and CFE plan to launch a One Month AMERIBOR futures contract under ticker symbol AMB1 in early 2020 and eventually plan to launch AMERIBOR futures options contracts. AMERIBOR futures provide a new derivatives instrument that can be used to hedge the true cost of funds for banks and financial institutions that do not consider the current permissible list of U.S. Benchmark Interest Rates applicable to their businesses.

Please refer to website www.ameribor.net for additional information on AMERIBOR.

The Master Glossary of the Codification defines the term benchmark interest rate as follows:

A widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-quality obligors in the market. It is a rate that is widely used in a given financial market as an underlying basis for determining the interest rates of individual financial instruments and commonly referenced in interest-rate-related transactions.

In theory, the benchmark interest rate should be a risk-free rate (that is, has no risk of default). In some markets, government borrowing rates may serve as a benchmark. In other markets, the benchmark interest rate may be an interbank offered rate.

AFX believes AMERIBOR meets the above criteria as summarized in the table below.

<table>
<thead>
<tr>
<th>Master Glossary of the Codification definition of benchmark interest rate</th>
<th>AMERIBOR®</th>
</tr>
</thead>
<tbody>
<tr>
<td>Widely recognized &amp; quoted in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-credit-quality obligors in the market.</td>
<td>Yes</td>
</tr>
<tr>
<td>It is a rate that is widely used in a given financial market as an underlying basis for determining the interest rates of individual financial instruments and commonly referenced in interest-rate-related transactions.</td>
<td>Yes</td>
</tr>
<tr>
<td>In other markets, the benchmark interest rate may be an interbank offered rate.</td>
<td>Yes</td>
</tr>
</tbody>
</table>

AFX requests that the AMERIBOR benchmark interest rate be added to FASB’s list of permissible U.S. Benchmark Interest Rates for Fair Value Hedge Accounting under ASC 815-20-25-6A. This will enable a large number of non-SIFI American banks and financial institutions for which AMERIBOR represents their actual cost of funds to be able to use Fair Value Hedge accounting for their AMERIBOR referenced variable rate assets and liabilities.

Appendix 1 includes a representative list of AFX Members who fully support and endorse this FASB Agenda Request and are available for further reference and comment for you and your technical staff.
Appendix 1

The below undersigned representative list of AFX Members fully support and endorse this FASB Agenda Request to add the AMERIBOR® benchmark interest rate to the list of permissible U.S. Benchmark Interest Rates for Fair Value Hedge Accounting (ASC 815-20-25-6A).

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Company</th>
<th>Phone (extension)</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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<tr>
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</tr>
<tr>
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<td>Signature Bank</td>
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<td><a href="mailto:SShay@signatureNY.com">SShay@signatureNY.com</a></td>
</tr>
</tbody>
</table>
Appendix 3

AMERIBOR® vs. Alternative Benchmark Interest Rates
April 02, 2018 - February 20, 2020